

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
In re:

CHAPTER 11  
Case No. 08-12666 MG

**PACE PRODUCT SOLUTIONS, INC.,**

Debtor

-----X

**AFFIDAVIT OF BOAZ BAGBAG PURSUANT  
TO LOCAL BANKRUPTCY RULE 1007-2(a) AND  
IN SUPPORT OF FIRST DAY PLEADINGS**

STATE OF NEW YORK     )  
                                  ) ss.:  
COUNTY OF BRONX     )

Boaz Bagbag, being duly sworn, deposes and says:

1. I am the President and sole Director of the debtor in the above-captioned action, Pace Product Solutions, Inc., and am fully and personally familiar with all of the facts and circumstances related herein.

2. I submit this affidavit in accordance with Local Rule 1007 of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the debtor’s behalf in conjunction with its petition. A copy of the resolution of the Boards of Directors authorizing this filing is being filed simultaneously herewith.

3. Pace Product Solutions, Inc. is an auto-parts distributor, automobile repair shop and sleep operation that was formed approximately three (3) years ago. The business distributes auto-parts to numerous companies and does repair work to automobiles, buses and trucks. The debtor has performed repairs and services for many important organizations, including Federal Express, the United States Postal Service, the Federal Bureau of Investigation, New York City and the City of Yonkers.

4. The debtor filed this Petition based on several problems that arose over the past eight (8) to twelve (12) months. The first major issue was that a number of customers failed to pay their outstanding debts to the company and this led to a loss of income totaling approximately \$500,000.00. In addition, the business was operating at two (2) locations for significantly longer than was profitable and was incurring almost twice the necessary expenses as a result. Since that time, the business consolidated to one (1) location, but not after the debtor had fallen behind on a substantial amount their obligations. Finally, the secured creditor, Summa Capital Corp. (“Summa”), which has a contested security interest in all of the debtor’s assets and receivables, began calling customers and demanding the outstanding accounts receivables of the debtor be paid directly to them. They informed these customers that any payments made to the debtor would not reduce their obligations, so these customers simply stopped paying their debts in fear that they would be double-billed.

4. No case under the former Bankruptcy Act or the Bankruptcy Code commenced by or against the debtor is now pending. The debtor’s case was not originally commenced under chapter 7 of the Bankruptcy Code.

5. The undersigned, Boaz Bagbag, did commence a chapter 7 bankruptcy proceeding in his individual capacity in the United States Bankruptcy Court for the Southern District of New York on July 10, 2008, with Bankruptcy Case No. 08-12667-MG.

6. Prior to the commencement of this case, no committee, to my knowledge, has been organized to represent the debtor’s creditors or equity holders.

7. A list of the names, addresses, and the estimated amount of each claim of the twenty (20) largest unsecured creditors of the debtor is annexed hereto as Exhibit “A”.

8. A list of the five largest secured creditors of the debtor is annexed hereto as Exhibit "B". The collateral securing the secured creditor's claim is disputed and consists of substantially all of the debtor's assets, including its inventory, receivables and cash. The value of such collateral and the extent of such lenders' claims and liens are under review, but it is estimated that the collateral is at least \$2,000,000.00 and the secured claim is \$1,500,000.00.

9. The consolidated balance sheet of the debtor as of December 31, 2007 is annexed hereto as Exhibit "C". The debtors major assets as of that date consisted of its inventory of auto-parts valued at approximately \$1,973,359.00, cash in the sum of \$76,730.00, accounts receivable of \$927,398.00, prepaid expenses of \$118,647.00, loans to officers of \$58,368.00 and trucks worth approximately \$36,743.00. The total assets were \$3,191,245.00. The total unsecured claims are approximately \$2,666,000.00 and the secured claims are \$1,500,000.00, for total liabilities of \$4,166,000.00.

10. The debtor has issued and has outstanding three hundred (300) no par value shares of stock (the "Equity Interests") of which the President and Director, Boaz Bagbag, holds 236 shares (78.66% ownership) and Asher Alcobi holds 64 shares (21.33% ownership).

11. The debtor believes that the secured creditor, Summa, whose relevant information is more particularly set forth in Schedule "B" annexed hereto, may be in possession of property of the debtor. This property consists of receivables paid by customers of the debtor which were collected by Summa pursuant to the disputed security interest referenced above. There is currently pending in the Supreme Court of the State of New York, County of New York, under Index Number 5998/08, a proceeding entitled "Summa Capital Corp. v. Pace Product Solutions, Inc., et al." upon which Summa is seeking an Order of Seizure to obtain all of the assets of the debtor.

12. I do not believe there are any other assets of the debtor's in the hands of third parties, custodians, public officers, mortgagees, assignees of rents or secured creditors.

13. The premises currently being leased by the debtor to operate its business consists of the following:

22 School Street, Yonkers, New York 10701

14. The debtor's assets are principally located at 122 School Street, Yonkers, New York 10701. The books and records of the debtor are maintained at 122 School Street, Yonkers, New York 10701 and at the debtor's accountant's office at 97 Froehlich Farm Blvd., Woodbury, NY 11797. The debtor does not have any assets outside the territorial limits of the United States.

15. There is currently pending in the Supreme Court of the State of New York, County of New York, under Index Number 5998/08, a proceeding entitled "Summa Capital Corp. v. Pace Product Solutions, Inc., et al." upon which Summa is seeking an Order of Seizure to obtain all of the assets of the debtor.

16. Upon information and belief, there was Motion filed by Summa which sought, inter alia, for a turnover of all of the debtor's property and which was returnable on July 11, 2008, the day after this Petition was filed. If this action had not been stayed pursuant to these proceedings, there is a possibility that Summa's motion would have been granted and all of the debtor's property lost.

17. The only officer and director of the debtor's existing senior management is Boaz Bagbag, who runs all of the day-to-day operations of the business. He has been running the business since its incorporation in or around June, 2005. Boaz Bagbag is in charge of all aspects of the debtor's business, including determining what inventory to purchase, sales prices, hiring of employees and all other necessary activities.

18. The debtor intends to continue to operate its businesses in chapter 11. The debtor's total weekly gross payroll for all employees is approximately \$7,500.00. The estimated payroll for the debtor's employees (exclusive of officers, stockholders and directors) during the thirty (30) day period following the filing of the debtor's petitions is approximately \$28,000.00. The estimated monthly compensation to be paid to the officers and directors of the debtor for the 30 days following the filing date is \$2,000.00.

19. The estimated cash receipts of the debtor for the 30 days following the filing date is between \$150,000.00 and \$200,000.00. The estimated cash disbursements, including payroll, inventory and all other expenses normally incurred is between \$120,000.00 and \$150,000.00, but the debtor will retain such funds until otherwise ordered by the Court. The net cash gain would therefore be between \$0.00 and \$80,000.00.

I, the undersigned authorized officer of the Company, named as the debtor in this case, declare under penalty of perjury that I have reviewed the foregoing and that it is true and correct to the best of my knowledge, information and belief, with reliance on appropriate corporate officers.

Dated: Bronx, New York  
July 17, 2008

/s/ Boaz Bagbag  
Boaz Bagbag  
President

Sworn to before me this  
17th day of July, 2008

/s/ Daniel M. Katzner  
Notary Public

**EXHIBIT A**

**LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS**

<b>(1) Name of Creditor and Complete Mailing Address Including Zip Code</b>	<b>(2) Name, Telephone number and complete mailing address, including zip code, of employee, agent or department of creditor familiar with claim who may be contacted</b>	<b>(3) Nature of Claim (trade debt, bank loan, government contract, etc.)</b>	<b>(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff</b>	<b>(5) Amount of Claim [if secured also state value of security]</b>
1. Flash Sales, Inc. 1055 Franklin Avenue, Suite 206 Garden City, NY 11530	Flash Sales, Inc. Attn: Joseph M. 1055 Franklin Avenue, Suite 206 Garden City, NY 11530 Telephone: (516) 741-8585	Loan to purchase 2 <sup>nd</sup> part of business	Disputed	\$550,000
2. B & N Realty Holding Corp. 1055 Franklin Avenue, Suite 206 Garden City, NY 11530	B & N Realty Holding Corp. Attn: Joseph M. 1055 Franklin Avenue, Suite 206 Garden City, NY 11530 Telephone: (516) 741-8585	Mortgage guarantee	Disputed	\$550,000
3. Chase 800 Brooksedge Blvd Westerville, OH 43081	Chase Attn: Small Business Dept. 800 Brooksedge Blvd Westerville, OH 43081 Telephone: (800) 714-7408	Bank loan to business	Disputed	\$280,000
4. North Fork Bank d/b/a Capital One Bank 201 St. Charles Ave, 16th Floor New Orleans, LA 70130	North Fork Bank d/b/a Capital One Bank Attn: Small Business Dept. 201 St. Charles Ave, 16th Floor New Orleans, LA 70130 Telephone: 1-800-655- 2265	Bank loan to business	Disputed	\$250,000
5. Pace Auto Parts, Inc. 10 Park Avenue, Suite 2A New York, NY 10016	Pace Auto Parts, Inc. Attn: Ms. Matta 10 Park Avenue, Suite 2A New York, NY 10016 Telephone: (212) 279-4550	Loan to purchase 1 <sup>st</sup> part of corporation	Disputed	\$250,000
6. Robert Bosch, LLC 2800 South 25 <sup>th</sup> Avenue Broadview, IL 60155	Robert Bosch, LLC Attn: General Manager 2800 South 25 <sup>th</sup> Avenue Broadview, IL 60155	Trade debt	Disputed	\$162,000

	Telephone: (708) 865-5200			
7. Honeywell, Inc. 39 Old Ridgebury Road Danbury, CT 06810	Honeywell, Inc. Attn: President 39 Old Ridgebury Road Danbury, CT 06810 Telephone: (203) 830-7800	Trade debt	Disputed	\$372,000
8. Davis Electronics 419 Park Avenue South, Ste 504 New York, NY 10010	Davis Electronics Attn: Jason Levine 419 Park Avenue South, Ste 504 New York, NY 10010 Telephone: (212) 532-5881	Trade debt	Disputed	\$40,000
9. Harlington Realty 419 Park Avenue South, Ste 504 New York, NY 10010	Harlington Realty Attn: Jason Levine 419 Park Avenue South, Ste 504 New York, NY 10010 Telephone: (212) 532-5881	Trade debt	Disputed	\$32,000
10. Universal Auto 419 Park Avenue South, Ste 504 New York, NY 10010	Universal Auto Attn: Jason Levine 419 Park Avenue South, Ste 504 New York, NY 10010 Telephone: (212) 532-5881	Trade debt	Disputed	\$20,000
11. Rony Abudi Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758	Rony Abudi Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758 Telephone: (917) 295-1565	Trade debt	Disputed	\$160,000
12. Uzi Evron Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758	Uzi Evron Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758 Telephone: (917) 295-1565	Trade debt	Disputed	Same as above
13. Doron Kessel Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758	Doron Kessel Attn: Bruce Lederman 567 Broadway Massapequa, NY 11758 Telephone: (917) 295-1565	Trade debt	Disputed	Same as above
14. NONE				
15. NONE				
16. NONE				
17. NONE				
18. NONE				



19. NONE				
20. NONE				

**EXHIBIT B**

**LIST OF CREDITORS HOLDING 5 LARGEST SECURED CLAIMS**

1. Summa Capital Corp. Empire State Building 350 Fifth Avenue, Suite 7612 New York, NY 10118	Summa Capital Corp. Attn: Howard Schulder Empire State Building 350 Fifth Avenue, Suite 7612 New York, NY 10118 Telephone: (212) 244-1200	Loan to purchase inventory	Disputed	\$1,500,000
2. NONE				
3. NONE				
4. NONE				
5. NONE				

# EXHIBIT C

Form 1120S (2007) PACE PRODUCT SOLUTIONS INC. 20-3041414		Page 4			
Schedule L- Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		10,719.		76,730.
2a	Trade notes and accounts receivable	281,292.		927,398.	
b	Less allowance for bad debts		281,292.		927,398.
3	Inventories		724,534.		1,973,359.
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt) SEE ST. 6.		50,963.		118,647.
7	Loans to shareholders				58,368.
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	26,616.		81,541.	
b	Less accumulated depreciation	26,616.		44,798.	36,743.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach stmt)				
15	Total assets		1,067,508.		3,191,245.
Liabilities and Shareholders' Equity					
16	Accounts payable		482,335.		1,054,140.
17	Mortgages, notes, bonds payable in less than 1 year		421,135.		1,827,657.
18	Other current liabilities (attach stmt) SEE ST. 7.		73,893.		87,281.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement) SEE ST. 8.		34,416.		
22	Capital stock		25,000.		211,668.
23	Additional paid-in capital				
24	Retained earnings		30,729.		10,499.
25	Adjustments to shareholders' equity (attach stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		1,067,508.		3,191,245.

**Schedule M-1** Depreciation and Amortization